



Treasury Chambers, Parliament Street, SW1P 3AG

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 Secretary of State for the Environment
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22 April 1985

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Dear John

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**LOCAL AUTHORITY EXPENDITURE:
 NEWSPAPER ARTICLE**

An opportunity arose recently for the Chief Secretary to contribute an article to the Sunday Express on local authority expenditure in advance of the forthcoming local elections. The substance of the article was cleared with officials in your Department but the Chief Secretary asked me to let you have the final version before it is published which reflects his own comments.

I am copying this letter to Mark Addison (No. 10), Hugh Taylor (Home Office), Elizabeth Hopkinson (Education) and Dina Nicholls (Transport).

*Yours sincerely
 Richard Broadbent*

**R J BROADBENT
 Private Secretary**

COUNCIL SPENDING: THE FACTS

Most of you will have received your rate bills recently. On average each household has to pay about £350: some have to pay much more. This has a large impact on your budget and your spending plans.

2. Council spending has a large impact on the Government's budget and its spending plans too. As Chief Secretary to the Treasury I have to deal with public expenditure: local authorities spend over 30 thousand million pounds, a quarter of all the cash raised in rates and taxes. Are you - and I - getting value for money?

3. You hear a lot about council spending in the news. Sometimes you hear about extravagant and silly spending. Other times you hear about the supposedly savage cuts forced on councils by the Government: yet since 1979 their current spending has nearly doubled, well ahead of the rise in prices generally. What is the true position?

4. The Government's objectives are the same as those of most taxpayers and ratepayers. We want to see councils running their services well and efficiently, providing a good service while keeping their rate bills as low as possible and not relying on a share of national taxes. Many councils feel the same way: it is the few extravagant ones who give local government a bad name.

5. Councils do not have an easy job. If we are to sustain the recovery which has been achieved over the last four years we must hold down the growth in public spending (by both central and local government). Yet there are of course more cars and lorries needing good roads, more policemen to pay, more college students to educate and more old people to look after.

6. The best run councils have managed to cope with these pressures and still keep expenditure and rate rises well under control. Some substantial savings have been possible in education where the number of children in our schools has fallen by a million, one in eight - and education is the main service local authorities provide. Many councils provide a good secondary education for around £1,000 per child each year. But some spend much more: Inner London spends well over half as much again but gets worse exam results: only 1 in 7 of its children get 5 or more good GCE 'O' levels or Grade 1 CSE's compared with 1 in 4 in the rest of the country. Inner London does have difficult problems to cope with, but so do other areas which achieve better results at lower cost.

7. The same pattern is repeated for most other services run by local councils: the best provide a good service reasonably cheaply, but a few spend far

more and have made little apparent attempt to cut costs. In South Yorkshire, for example the cost of running buses has increased by 40% and subsidies from ratepayers have more than doubled since 1979. And although councils generally have cut spending on school meals by 30 per cent since 1979 while still providing free meals for the poorest families, a few like Kirklees (Huddersfield) have made almost no savings at all.

8. Central government has made important savings by cutting civil service numbers by 1 in 7 since 1979. But on average councils have cut their manpower by only 1 in 25. Some have actually increased their numbers. On the same day a few weeks ago the GLC and the City of Manchester were advertising for extra staff for their police committees - though neither runs a police force - Lambeth wanted a town twinning officer to promote "peace initiatives" with towns in Russia and Nicaragua.

9. What can we all do to continue the search for better value for money from council spending? The Government has a role to play and so do you as voter and ratepayer. In the Government we are aiming to encourage all councils to find the most efficient and cost-effective ways of running their services. We already require councils with sizeable building and repair workforces to allow private contractors to compete for work. This can cut costs. We plan to extend this competition to other services like rubbish collection, school meals and cleaning.

10. Where councils are not prepared to co-operate in the search for savings we are taking more direct action. We are, as promised, curbing the 18 highest spenders - the GLC, South Yorkshire and Lambeth among them. They accounted for three quarters of excessive spending last year. From this month we are capping their rates. Some of them claimed they could not meet their rate limits. But most have now set a legal rate - in some cases below the limits set by Parliament. If you live or have a business anywhere in those areas you will be paying much less than you would have done without those curbs.

11. But another important pressure for curbing extravagance lies in the hands of all of you who use the services, pay for them through your rates and your taxes and elect the councillors. If you live in Cleveland rather than in Kent, for example, you pay 45% more in rates to the County Council; if you live in Avon, Derbyshire or Nottinghamshire you pay around 30% more. These counties have exactly the same services to run as Kent has. But in Cleveland 24 people in every 1,000 are on the county's payroll whereas in Kent the figure is only 16.

12. In most counties you have a chance to vote for your Councillors on 2 May. I shall use my vote, and hope you will yours.